

Message Text

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ACTION ARA-10

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FM AMEMBASSY BUENOS AIRES
TO SECSTATE WASHDC 9647

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E.O. 11652: N/A
TAGS: BPRO
SUBJECT: ARGENTINE BANKING SYSTEM

REF: A) STATE 48559, B) DONEGAN, REED TELCOM OF MARCH 16

1. SUMMARY OF NEW BANKING LEGISLATION WAS REPORTED BY BUENOS AIRES 503 AND BUENOS AIRES 1329. IN ADDITION, GOA PLANS TO PROMULGATE SOON NEW LEGISLATION RAISING THE MINIMUM CAPITAL REQUIREMENTS OF COMMERCIAL BANKS IN ARGENTINA. THE NEW LEGISLATION IS EXPECTED TO GO INTO EFFECT IN APRIL OR MAY. EMBASSY WILL POUCH COMPLETE TEXTS OF THIS LEGISLATION AS SOON AS POSSIBLE.

2. ACCORDING TO CENTRAL BANK DIRECTOR IN CHARGE OF FINANCIAL ENTITIES OPERATING IN ARGENTINA, THE NEW LEGISLATION SHOULD NOT HAVE AN AVERSE IMPACT ON ANY TYPES OF COMMERCIAL BANKS. SOME BANKS MAY BE REQUIRED TO REDUCE THEIR LOAN PORTFOLIOS IN ORDER TO MEET THE NEW RESERVE REQUIREMENTS BUT THEY WILL BE GIVEN AMPLE TIME TO ADJUST. THE PROPOSED INCREASE IN MINIMUM CAPITAL REQUIREMENTS MAY FORCE SMALLER BANKS TO MERGE BUT THEY, TOO, WILL BE GIVEN TIME TO ADJUST.

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3. ACCORDING TO THE NEW LAW ON FINANCIAL ENTITIES, COMMERCIAL BANKS MAY ENGAGE IN ANY KIND OF ACTIVITY NOT SPECIFICALLY PROHIBITED IN THE LEGISLATION. UNDER ARTICLE 28, THE PROHIBITIONS APPLICABLE TO COMMERCIAL BANKS INCLUDE: (A) THE EXPLOITATION FOR THEIR OWN ACCOUNT OF COMMERCIAL, INDUSTRIAL, AGRICULTURAL, OR ANY OTHER KIND OF COMPANY (B) LIENS ON THEIR ASSETS WITHOUT

PRIOR AUTHORIZATION OF THE CENTRAL BANK (C) THE ACCEPTANCE OF THEIR OWN SHARES AS COLLATERAL AND (D) DEALINGS WITH DIRECTORS OR MANAGERS OR COMPANIES LINKED TO THEM IN CONDITIONS MORE FAVORABLE THAN THOSE GRANTED TO THE GENERAL PUBLIC. THE LEGISLATION PROVIDES NO LEGAL DIFFERENTIATION BASED ON THE TYPE OF OWNERSHIP (GOVERNMENT, LOCAL PRIVATE, AND FOREIGN) ON THE KINDS OF ACTIVITIES OR SECTORS THE VARIOUS KINDS OF COMMERCIAL BANKS MAY SERVE.

4. ACCORDING TO THE CENTRAL BANK DIRECTOR, GOVERNMENT ENTITIES AND PUBLIC ENTERPRISES GENERALLY DEPOSIT FUNDS IN GOVERNMENT-OWNED COMMERCIAL BANKS. IN ADDITION, THE VARIOUS TYPES OF COMMERCIAL BANKS HAVE THE FOLLOWING GENERAL ROLES AND/OR CLIENTELE.

(A) NATIONAL GOVERNMENT BANKS. BANCO DE LA NACION IS A STATE-OWNED COMMERCIAL BANK WHICH SPECIALIZES PRIMARILY IN LOANS THROUGH THE AGRICULTURAL SECTOR AND WHOSE PROFOLIO COMPRISES PRIMARILY SHORT TERM CREDITS. THE BANCO DE NACIONAL DE DESARROLLO IS MORE OF AN INVESTMENT BANK THAN A COMMERCIAL BANK AND SPECIALIZES IN MEDIUM AND LONG-TERM CREDITS FOR THE INDUSTRIAL SECTOR.

(B) THE PROVINCIAL GOVERNMENT-OWNED BANKS SPECIALIZE PRIMARILY IN SHORT TERM CREDITS, WITH MAJOR EMPHASIS IN THE AGRICULTURAL SECTOR.

(C) MUNICIPAL BANKS. THE ONLY MAJOR MUNICIPAL BANK IS THAT BELONGING TO THE CITY OF BUENOS AIRES. (SMALLER ONES ARE THOSE OF PARANA, ROSARIO, AND TUCUMAN). THE UNCLASSIFIED

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BANKS OPERATE AS COMMERCIAL BANKS, EXTENDING SHORT TERM CREDITS FOR URBAN-TYPE ACTIVITIES.

(D) PRIVATE NATIONAL BANKS. THESE CATER PRIMARILY TO CITY-BASED INDUSTRY AND COMMERCE. THOSE LOCATED IN THE INTERIOR DO NOT GENERALLY ENGAGE IN FOREIGN EXCHANGE TRANSACTIONS.

(E) PRIVATE FOREIGN BANKS. THEY ARE MORE INVOLVED IN PROVIDING CREDITS FOR WORKING CAPITAL TO FOREIGN-OWNED COMPANIES BASED IN ARGENTINA AND IN FINANCING INTERNATIONAL TRADE.

5. THE JANUARY ISSUE OF BOLETIN ESTADISTICO IS STILL NOT AVAILABLE. EMBASSY WILL POUCH COPY AS SOON AS IT IS PUBLISHED, AS WELL AS A COPY OF A BANK GUIDE DESCRIBING MAJOR ACTIVITIES OF COMMERCIAL BANKS. HILL

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